

20 April 2021

**Dear Investors,**

A year ago, we witnessed a massive sell-off of equity markets on the back of Covid-19 outbreak and subsequent economic lockdown across the World. Who could have imagined an equally dramatic recovery in the frontline Indices within a year! We have no expertise in Pandemic management or Virus evolution; but events once again reinforced lesson 101 of Value Investing: ***When everyone is scared go ahead and Invest.***

Currently, the so-called Second Wave of Pandemic is underway in India. From all the basic data we read, the second wave is much bigger than the first one and individual health tragedies are unprecedented. Obvious stress on the Indian healthcare system is visible and one can only wish and pray that – ***This too shall pass.***

From our vantage point, we find comfort that several major cities should progress well in the coming two months on Vaccination drive and recent supply challenges has brought back much-needed focus on vaccine production ramp-up. We get comfort from the fact that Israel has administered two doses of COVID-19 vaccine to more than half its population and the result is that the country has now opened up without masking.

Last year's severity in economic lockdown is unlikely this time around and the impact on the economy will be less severe. It should be more localised and selective restrictions in economic activity along with vaccination drive will help us ride this crisis.

As far as the markets are concerned, despite resilient frontline indices, value opportunities do reside in some of the small and mid market-cap companies and among some ignored cyclical segments of the economy. We continue to seek such juicy opportunities and brainstorm on a continuous basis about our present holdings and their health going forward.

We operate in ignored and obscured small/mid size companies and that is our chosen ocean to fish. They resonate with who we are. And one important lesson of Investing is: ***there are many ways to succeed - good investors stick to their principles and tactics irrespective of whether they are in favour or not. Sticking to your knitting is key to long term success.***

In general, small/mid size companies have been relatively underperforming large indices for few years. However, we remind ourselves: We have been here before and we know seeds of the future bull market will be planted in today's bear market.

***Going forward we get huge comfort from our assessment of the margin of safety in our current portfolio and it is as robust as we would wish for from our experience.*** In general, we continue to be optimistic about wealth creation opportunities in the Indian equity market on longer term and we aspire to do our best for our investors.

Take care and be safe.

**Porinju Veliyath**